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MARTIN-McNEELY MINES, LIMITED

Annual Report



For the Year Ended December 31, 1971

Martin-McNeely Mines, Limited

DIRECTORS

H. DAHL-JENSEN	-	-	-	-	-	-	-	-	-	-	Unionville, Ontario
J. E. J. FAHLGREN	-	-	-	-	-	-	-	-	-	-	Cochenour, Ontario
R. E. FASKEN	-	-	-	-	-	-	-	-	-	-	Mississauga, Ontario
G. B. HENNING	-	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
C. M. MASTERMAN	-	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
G. T. SMITH	-	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
R. M. SMITH	-	-	-	-	-	-	-	-	-	-	- Oakville, Ontario

OFFICERS

G. T. SMITH	-	-	-	-	-	-	-	-	-	-	-	President
N. W. WHEATLEY	-	-	-	-	-	-	-	-	-	-	-	Secretary-Treasurer

Transfer Agent and Registrar

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario

Auditors

ALLEN, MILES, FOX & JOHNSTON, TORONTO

Head Office

Suite 3914, Royal Trust Tower
Toronto Dominion Centre
Toronto 1, Ontario

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 10:00 a.m., Thursday, June 29, 1972, in the Nova Scotia Room, Royal York Hotel, Front Street West, Toronto, Ontario.

MARTIN-McNEELY MINES, LIMITED

TO THE SHAREHOLDERS,

Your directors submit herewith the Annual Report of the Company for the year ended December 31st, 1971. Included are the audited financial statements for the 1971 fiscal period along with reports and audited financial statements covering the 1971 operations of Annco Mines Limited (44.8% owned) and Wilmar Mines Limited (43.8% owned).

Cochenour Willans Gold Mines Limited, operations managers for both the Annco and Wilmar, suspended mining operations on its own property and those of both Annco and Wilmar on August 31st, 1971. This decision was necessitated by Cochenour as the combined operations had been suffering severe losses during the past few years and there was not sufficient tonnage of good grade ore developed on either property to justify continuing to operate with these losses. Underground mining equipment owned by Cochenour was removed and the mines have since been allowed to flood.

In review of the overall situation with Cochenour personnel, your directors believe that the price of gold would have to stabilize at \$60.00 plus per ounce before further exploration and development on these properties would be justified. The Cochenour mill currently remains intact, and it is understood that there are no immediate plans by Cochenour to either dismantle or sell off the mill equipment.

ANNCO MINES LIMITED

Some 8,411 tons of ore were mined and processed at the Cochenour mill during the nine months of operations. This ore had an average recoverable value of \$11.57 per ton, equivalent to .33 ounces per ton, with gold valued at U.S.\$35.00 per ounce. Total direct operating costs for the year amounted to \$11.84 per ton mined and with the E.G.M.A. benefit, estimated at \$3.35 per ton, a very slight operating profit was earned before amortization of deferred development.

Operating costs for the period showed a modest improvement due primarily to slightly lower mining and milling costs and virtually no development carried out.

The present known ore extensions on the property appear limited. The talcose ore zone has been cut off by a large peridotite dyke to the south and diamond drilling did not pick up any significant extension of this zone.

WILMAR MINES LIMITED

A production of 44,581 tons of ore was mined and subsequently milled during the nine months of operation. This ore had an average recoverable value of \$10.31 per ton, equivalent to .294 ounces per ton with gold valued at U.S. \$35.00 per ounce. Direct operating costs amounted to \$13.60 per ton milled and with an estimated E.G.M.A. benefit of \$2.77 per ton, produced a net operating cost of \$10.83 per ton which resulted in an operating loss for the period of \$23,225.

Including depreciation, amortization, interest and Cochenour charges for plant use, total loss for the period, prior to write-off of deferred development, amounted to \$287,363.

Due to the fact that mining operations were discontinued, an amount of \$996,288. of unamortized deferred development charges were written off which contributed to an overall loss for the year of \$1,283,651.

There still remains in the mine good potential for developing ore reserves provided a stabilized gold price in the area of \$65. per ounce occurs. Some diamond drill intersections from the 17th Level indicated good grade potential in the Diorite Dyke structure to the north, however, at the time of closure they did not justify a fairly costly development program to confirm the potential grade and tonnage of ore that might be available. In addition, large tonnages of material grading .11 to .15 ounces of gold per ton have been outlined in the west area of the property on the 1300-foot level. Your directors, in conjunction with Cochenour Willans management, have reviewed the overall ore potential and if gold prices stabilize at a sufficiently high level consideration will immediately be given to resumption of further development work in an effort to prove a sufficient tonnage of ore to justify an economically viable operation.

GENERAL

The Company's working capital will be used to continue to seek projects in which it is able to financially participate to the overall benefit of the Company.

On Behalf of the Board,

G. T. SMITH,
President.

MARTIN-McNEELY

(Incorporated under the laws of the Province of Ontario)

AND ITS WHOLLY-OWNED SUBSIDIARIES

Consolidated Balance Sheet

(with comparative figures for 1970)

ASSETS

	1971	1970
Current Assets		
Cash.....	\$ 529	\$ 997
Short-term investments, at cost.....	—	74,396
Marketable securities, at cost (quoted market value \$327,045; \$169,460 in 1970).....	346,467	193,618
Receivable from broker for securities sold.....	2,884	81,281
	<u>349,880</u>	<u>350,292</u>
Participation in Other Mining Companies		
Shares, at cost less amounts written off (no quoted market value).....	21,624	308,020
Advances to Wilmar Mines Limited.....	—	20,000
	<u>21,624</u>	<u>328,020</u>
Mining Properties		
Patented mining claims situated in the Township of Dome in the District of Patricia, Ontario, at cost.....	99,470	99,470
	<u>99,470</u>	<u>99,470</u>
Deferred Charges and Other Assets		
Participation in mining syndicates, at nominal value.....	8	9
Deferred exploration and administrative expenditures.....	138,835	356,908
Incorporation expense.....	—	607
	<u>138,843</u>	<u>357,524</u>
	<u>\$ 609,817</u>	<u>\$1,135,306</u>

MINES, LIMITED

(Incorporated in the Province of Ontario)

COMPANY, MARTIN McNEELY MINES, INC.

Balance Sheet at December 31, 1971

Comparison with Balance Sheet at December 31, 1970

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970
Current Liabilities		
Accounts payable and accrued liabilities.....	\$ 1,030	\$ 1,077
Shareholders' Equity		
Capital Stock		
Authorized and issued		
6,000,000 shares of \$1. par value.....	6,000,000	6,000,000
Less discount on shares.....	4,312,181	4,312,181
	1,687,819	1,687,819
Deficit.....	1,079,032	553,590
	608,787	1,134,229

Approved on behalf of the Board:

G. T. SMITH, Director

R. E. FASKEN, Director

MARTIN-McNEELY MINES, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANY, MARTIN McNEELY MINES, INC.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

For the Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Balance deferred January 1.....	\$ 356,908	\$ 331,335
Exploration		
Engineering fees and expenses.....	510	13,703
Leased claims rental.....	—	18,222
Other expenses.....	108	2,369
Travel.....	—	40
	<u>618</u>	<u>34,334</u>
Administrative		
Audit fees.....	1,000	1,575
Directors' fees.....	350	325
General administration expenses.....	1,450	1,800
General expense.....	318	256
Legal fees.....	96	513
Office rent.....	600	600
Office salary and expense.....	517	561
Shareholders' information.....	2,483	2,702
Transfer agent's fees and expenses.....	<u>2,231</u>	<u>3,045</u>
	<u>9,045</u>	<u>11,377</u>
Total exploration and administrative expenditures for the year.....	<u>9,663</u>	<u>45,711</u>
	366,571	377,046
Deduct deferred expenditures written off.....	<u>217,888</u>	<u>—</u>
Balance deferred before the following.....	<u>148,683</u>	<u>377,046</u>
Investment income		
Interest.....	4,038	11,474
Dividends.....	<u>5,810</u>	<u>8,664</u>
	<u>9,848</u>	<u>20,138</u>
Balance deferred December 31.....	<u>\$ 138,835</u>	<u>\$ 356,908</u>

MARTIN-McNEELY MINES, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANY, MARTIN McNEELY MINES, INC.

CONSOLIDATED STATEMENT OF DEFICIT

For the Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Deficit (retained earnings) January 1.....	\$ 553,590	\$ (42,402)
Loss on sale of investments.....	550	23,197
Shares in other companies written down.....	286,396	572,795
Participation in mining syndicates written off.....	1	—
Deferred expenditures written off.....	217,888	—
Advances to Wilmar Mines Limited written off.....	20,000	—
Incorporation expense written off.....	607	—
Deficit December 31.....	<u>\$1,079,032</u>	<u>\$ 553,590</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Source of funds		
Investment income.....	<u>\$ 9,848</u>	<u>\$ 20,138</u>
Application of funds		
Loss on sale of investments.....	550	23,197
Exploration and administrative expenditures.....	<u>9,663</u>	<u>45,711</u>
	<u>10,213</u>	<u>68,908</u>
Decrease in working capital.....	365	48,770
Working capital January 1.....	<u>349,215</u>	<u>397,985</u>
Working capital December 31.....	<u>\$ 348,850</u>	<u>\$ 349,215</u>

MARTIN-McNEELY MINES, LIMITED

AND ITS WHOLLY-OWNED SUBSIDIARY COMPANY, MARTIN McNEELY MINES, INC.

SHARES IN OTHER MINING COMPANIES

December 31, 1971

Shares in unlisted mining companies at cost
less amounts written off

	Shares	Book Value
Annco Mines Limited.....	1,301,668	\$ 1
Bruno Mining Corporation (shares escrowed).....	10,000	1
Lake Expanse Gold Mines Limited.....	15,000	1,333
Luxor Red Lake Mines Limited.....	197,500	9,875
Marmattagami Mines Limited (135,000 shares escrowed).....	160,000	10,413
Wilmar Mines Limited.....	1,315,666	1
		<u>\$ 21,624</u>

AUDITORS' REPORT

To the Shareholders of
Martin-McNeely Mines, Limited

We have examined the consolidated balance sheet of Martin-McNeely Mines, Limited and its wholly-owned subsidiary company Martin McNeely Mines, Inc. as at December 31, 1971 and the consolidated statements of deferred exploration and administrative expenditures, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 15, 1972

ALLEN, MILES, FOX & JOHNSTON
Chartered Accountants

ANNCO MINES LIMITED

Annual Report

For the year ended December 31, 1971

DIRECTORS

J. E. J. FAHLGREN	-	-	-	-	-	-	-	-	-	-	Cochenour, Ontario
R. E. FASKEN	-	-	-	-	-	-	-	-	-	-	Mississauga, Ontario
M. C. MOSHER	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
J. B. McLELLAN	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
G. T. SMITH	-	-	-	-	-	-	-	-	-	-	Toronto, Ontario
R. M. SMITH	-	-	-	-	-	-	-	-	-	-	Oakville, Ontario

OFFICERS

J. E. J. FAHLGREN	-	-	-	-	-	-	-	-	-	-	President
G. T. SMITH	-	-	-	-	-	-	-	-	-	-	Vice-President
J. B. McLELLAN	-	-	-	-	-	-	-	-	-	-	Secretary
B. C. LEMON	-	-	-	-	-	-	-	-	-	-	Asst. Secretary-Treasurer

ADMINISTRATIVE OFFICE

Cochenour, Ontario

ANNCO MINES LIMITED

Report of the Directors

To the Shareholders
ANNCO MINES LIMITED

We submit for your consideration the audited financial statements of your Company for the year ending December 31st, 1971.

The Mine was closed and all muck was drawn from the mine in September, following decision of the Board of Directors held on June 23rd, 1971, to cease operations.

The report received from our operations management, Cochenour Willans Gold Mines, Limited, covering the operations at the mine during the year is enclosed.

Any future mining in the developed area of the mine, should the price of gold be appreciably increased, would depend on a feasibility study at that time and would be contingent on whether the Cochenour shaft was dewatered.

At the close of operations, advances from the Cochenour Willans Gold Mines, Limited in the amount of \$195,405 was still outstanding.

Respectfully submitted

On behalf of the Board of Directors

J. E. J. FAHLGREN

President

May 5th, 1972
COCHENOUR, Ontario

ANNCO MINES LIMITED

To the Board of Directors
ANNCO MINES LIMITED

Gentlemen:

Following up your decision at the meeting of the Board of Directors on June 23rd, 1971, when it was resolved that the mining operations of the company were to cease by August 31st, 1971, mine management proceeded to effect the shutdown and all mining stopped on that date. Broken ore in the mine was drawn in September and milling at the Cochenour mill was finalized on October 7th.

PRODUCTION

8,411 tons of ore were sent to the Cochenour mill for treatment during the nine months of operations, producing 2,742.473 fine ounces of gold and 135.61 fine ounces of silver valued at \$97,345 for an average recovery of \$11.57 per ton milled.

Total income estimated to be received under the provisions of the Emergency Gold Mining Assistnace Act is \$28,179, or \$10.27 per ounce of gold produced.

The all time production of the Mine from 1965 to 1971 was 149,243 tons for a total recovery of \$2,062,346., an average recovered grade of \$13.82.

SCHEDULE OF OPERATING COSTS:

	1971		1970
	TOTAL	Per Ton Milled	Per Ton Milled
Tons Milled.		8,411	8,441
Development.	\$ —	\$ —	\$ 0.112
Mining.	60,595	7.204	8.810
Milling.	21,672	2.577	2.842
General & Administ'n.	16,393	1.949	2.251
Marketing.	944	0.112	0.112
TOTAL OPERATING COST.	\$ 99,604	\$ 11.842	\$ 14.127
LESS: Est. E.G.M.A.	28,179	3.350	4.028
	<u>\$ 71,425</u>	<u>\$ 8.492</u>	<u>\$ 10.099</u>

THE MINE

At the time of closure, known possible extension of ore was limited. Down dip extension of the talcose ore zone below the 2200 level established the mineralized zone to a depth of at least 175 feet below this level, situate 3000 feet from the Cochenour Shaft. Indications are that the zone is interrupted by a large peridotite dyke to the south. A diamond drilling program from a drill base established by a crosscut driven through the dyke, to test for possible extension on the south side was not successful, and the only intersection of any interest was a narrow quartz vein that assayed 5.00 ounces over five (5) inches which occurred 400 feet south-west from the end of the drill station. This hole was wedged and the second intersection did not confirm the grade.

Respectfully submitted

COCHENOUR WILLANS GOLD MINES, LIMITED
(Operations Management)

May 5th, 1972
COCHENOUR, Ontario.

J. E. J. FAHLGREN
General Manager.

ANNCO MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — DECEMBER 31, 1971 (with comparative figures at December 31, 1970)

ASSETS		1971	1970
Current Assets			
Cash.....	\$	493	\$ 376
Estimated Emergency Gold Mining Assistance receivable.....		2,815	9,732
		<u>3,308</u>	<u>10,108</u>
Mining Claims , acquired by the issue of 1,166,663 shares of the capital stock of the company, valued at.....		58,333	58,333
Deferred Development		545,064	545,064
Less amortization.....		545,064	384,311
		<u>nil</u>	<u>160,753</u>
	\$	<u>61,641</u>	<u>\$ 229,194</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities.....	\$	800	\$ 750
Payable to parent company, Cochenour Willans Gold Mines, Limited.....		195,405	198,736
		<u>196,205</u>	<u>199,486</u>
SHAREHOLDERS' EQUITY			
Capital Stock (note 1)			
Authorized			
3,000,000 Shares, par value \$1 each			
Issued			
2,906,668 Shares.....		2,906,668	2,906,668
Deduct discount thereon.....		2,192,330	2,192,330
		<u>714,338</u>	<u>714,338</u>
Deficit		848,902	684,630
		<u>134,564</u>	<u>29,708</u>
	\$	<u>61,641</u>	<u>\$ 229,194</u>

Approved by the Board:

J. E. J. FAHLGREN, Director

ROBERT M. SMITH, Director

AUDITORS' REPORT

To the Shareholders of
ANNCO MINES LIMITED

We have examined the balance sheet of AnncO Mines Limited as at December 31, 1971 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,

Chartered Accountants

Thunder Bay, Canada,
April 6, 1972

ANNCO MINES LIMITED

STATEMENT OF INCOME Year Ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Revenue		
Bullion production.....	\$ 97,345	\$ 121,194
Operating expenses		
Development.....		949
Mining.....	60,595	74,365
Milling.....	21,672	23,984
Shipping and marketing.....	944	945
Mine general.....	14,076	16,913
Administrative.....	1,842	1,812
Directors' fees.....	475	275
	99,604	119,243
Less estimated Emergency Gold Mining Assistance.....	28,179	33,998
	71,425	85,245
	25,920	35,949
Other expenses		
Charge from parent company for use of plant.....	29,439	29,543
Amortization of deferred development.....	22,878	22,960
	52,317	52,503
Loss for the year before extraordinary item.....	26,397	16,554
Extraordinary item		
Write-off of deferred development (note 2).....	137,875	
Loss for the Year.....	\$ 164,272	\$ 16,554

STATEMENT OF DEFICIT Year Ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Balance at beginning of year.....	\$ 684,630	\$ 668,076
Loss for the year.....	164,272	16,554
Balance at End of Year.....	\$ 848,902	\$ 684,630

ANNCO MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1971

(with comparative figures for 1970)

	1971	1970
Source of Funds		
Loss for the year.....		\$ (16,554)
Amortization of deferred development not involving current funds.....		<u>22,960</u>
		6,406
Application of Funds		
Loss for the year before extraordinary item.....	\$ 26,397	
Amortization of deferred development not involving current funds.....	<u>(22,878)</u>	
Increase (Decrease) in Working Capital Position.....	(3,519)	6,406
Working Capital Deficiency at Beginning of Year.....	<u>189,378</u>	<u>195,784</u>
Working Capital Deficiency at End of Year.....	<u><u>\$ 192,897</u></u>	<u><u>\$ 189,378</u></u>

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1971

1. CAPITAL STOCK

At December 31, 1971, Martin-McNeely Mines Limited, under the terms of certain agreements, had options to subscribe for 93,332 shares of the company at \$1 per share.

2. EXTRAORDINARY ITEM

During the year the company discontinued active mining operations. As a result, \$137,875 of un-amortized deferred development charges were written-off.

WILMAR MINES LIMITED

Annual Report

For the year ended December 31, 1971

DIRECTORS

J. E. J. FAHLGREN	-	-	-	-	-	-	-	-	-	-	Cochenour, Ontario
R. E. FASKEN	-	-	-	-	-	-	-	-	-	-	Mississauga, Ontario
M. C. MOSHER	-	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
J. B. McLELLAN	-	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
G. T. SMITH	-	-	-	-	-	-	-	-	-	-	- Toronto, Ontario
R. M. SMITH	-	-	-	-	-	-	-	-	-	-	- Oakville, Ontario

OFFICERS

J. E. J. FAHLGREN	-	-	-	-	-	-	-	-	-	-	-	President
G. T. SMITH	-	-	-	-	-	-	-	-	-	-	-	Vice-President
J. B. McLELLAN	-	-	-	-	-	-	-	-	-	-	-	Secretary
B. C. LEMON	-	-	-	-	-	-	-	-	-	-	-	Asst. Secretary-Treasurer

ADMINISTRATIVE OFFICE

Cochenour, Ontario

WILMAR MINES LIMITED

Report of the Directors

To the Shareholders
WILMAR MINES LIMITED

We submit for your consideration the audited financial statements of your Company for the year ending December 31st, 1971.

The mine was closed and all muck was drawn from the stopes by September 30th, 1971, following decision of the Board of Directors held on June 23rd, 1971, to cease operations.

The report received from our operations management, Cochenour Willans Gold Mines, Limited, covering the operations at the mine during the year is enclosed. This report recommends an exploration program sometime in the future should the price of gold advance appreciably.

At the close of operations, advances from Cochenour Willans Gold Mines, Limited, in the amount of \$881,853 and from Martin-McNeely Mines Limited of \$20,000 were outstanding.

Respectfully submitted on behalf of the Board of Directors

J. E. J. FAHLGREN

President.

May 5th, 1972
COCHENOUR, Ontario

WILMAR MINES LIMITED

The Board of Directors
WILMAR MINES LIMITED

Gentlemen:

Following up your decision at the meeting of the Board of Directors on June 23rd, 1971, when it was resolved that the mining operations of the company were to cease by August 31st, 1971, mine management proceeded to effect the shutdown and all mining stopped on that date. Broken ore in stopes was drawn in September and milling at the Cochenour mill was finalized on October 7th.

PRODUCTION:

44,581 tons of ore were sent to the Cochenour mill for treatment during the nine months of operations, producing 12,008.725 fine ounces of gold and 20,766.17 ounces of silver valued at \$459,642 for an average recovery of \$10.31 per ton milled.

Total income estimated to be received under the provisions of the Emergency Gold Mining Assistance Act is \$123,430, or \$10.27 per ounce of gold produced.

The all time production of the Mine from 1967 to 1971 was 193,435 tons for a total recovery of \$2,068,046, an average recovered grade of \$10.69.

SCHEDULE OF OPERATING COSTS:

	1971		1970
	TOTAL	Per Ton Milled	Per Ton Milled
Tons Milled.		44,581	67,246
Development.	\$ 41,049	0.920	1.239
Mining.	373,046	8.368	8.400
Milling.	114,871	2.577	2.842
General & Administ'n.	73,472	1.648	1.918
Marketing.	3,859	.087	.079
TOTAL OPERATING COSTS.	\$ 606,297	13.600	14.487
LESS: Est. E.G.M.A.	123,430	2.769	2.820
	<u>\$ 482,867</u>	<u>\$ 10,831</u>	<u>\$ 11.658</u>

DEVELOPMENT:

During the year 169 feet of Raising and 448 feet of Drifting was completed. 1,351 feet of underground Diamond Drilling was drilled.

THE MINE:

Should the price of Gold advance appreciably in the future, that is to the order of \$65.00 to \$75.00, the Wilmar Mine warrants exploration.

Large tonnages of low grade material grading 0.11 to 0.15 ounces gold per ton have been outlined in the west area of the property on the 1300 level, in a granodiorite structure.

The Diorite Dyke structure located to the north of the mining area, indicated by diamond drilling has not been investigated. Some of the better intersections at the 17th level horizon in this structure were 0.53/12', 0.44/26.5', 0.23/7.8' and 1.35/8.0' (ounces gold per ton/core length in feet).

The internal shaft was sunk from the 1300 level horizon. Subsequent diamond drilling from surface and up holes from underground returned values in intersections that should be investigated further.

The No. 2 and No. 6 East blocks have further possibilities up dip as well as areas to the east.

While any future underground exploration could be undertaken by dewatering the Cochenour shaft to the 1300 level and the Wilmar shaft, any production consideration would have to be based on raising the Wilmar shaft to surface and sealing off the 1300 Crosscut from the Cochenour workings. The Wilmar ore is readily recovered by straight Cyanidation treatment.

Respectfully submitted

COCHENOUR WILLANS GOLD MINES, LIMITED
(Operations Management)

J. E. J. FAHLGREN
General Manager

May 5th, 1972
COCHENOUR, Ontario

WILMAR MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET — DECEMBER 31, 1971 (with comparative figures at December 31, 1970)

	ASSETS	1971	1970
Current Assets			
Cash.....		\$ 766	\$ 517
Estimated Emergency Gold Mining Assistance receivable.....		12,339	51,439
		<u>13,105</u>	<u>51,956</u>
Fixed Assets			
Equipment, at cost.....		10,284	10,284
Less accumulated depreciation.....		4,916	3,968
		<u>5,368</u>	<u>6,316</u>
Mining claims, acquired by the issue of 1,000,000 shares of capital stock of the company, valued at \$100,000, less claims and surface rights sold..		42,874	42,873
		<u>48,242</u>	<u>49,190</u>
Deferred Development, at cost less amortization (see note).....			<u>1,085,450</u>
		<u>\$ 61,347</u>	<u>\$1,186,596</u>
	LIABILITIES		
Current Liabilities			
Accounts payable and accrued liabilities.....		\$ 750	\$ 2,850
Advances from shareholders			
Cochenour Willans Gold Mines, Limited.....		881,853	721,351
Martin-McNeely Mines Limited.....		20,000	20,000
		<u>902,603</u>	<u>744,201</u>
	CAPITAL STOCK AND DEFICIT		
Capital Stock			
Authorized			
3,000,000 Shares, par value 95¢ each			
Issued			
3,000,000.....		2,850,000	2,850,000
Deduct discount thereon (net).....		<u>1,516,669</u>	<u>1,516,669</u>
		<u>1,333,331</u>	<u>1,333,331</u>
Deficit.....		<u>2,174,587</u>	<u>890,936</u>
		<u>(841,256)</u>	<u>442,395</u>
		<u>\$ 61,347</u>	<u>\$1,186,596</u>

Approved by the Board

J. E. J. FAHLGREN, Director

ROBERT M. SMITH, Director

WILMAR MINES LIMITED

STATEMENT OF INCOME Year Ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Revenue		
Bullion production.....	\$ 459,642	\$ 718,058
Operating expenses		
Development.....	41,049	83,147
Mining.....	373,046	564,884
Milling.....	114,871	191,186
Shipping and marketing.....	3,859	5,342
Mine general.....	71,019	126,108
Administrative.....	1,978	2,616
Director's fees.....	475	275
	606,297	973,558
Less estimated Emergency Gold Mining Assistance.....	123,430	189,642
	482,867	783,916
	(23,225)	(65,858)
Other expenses		
Depreciation.....	948	1,114
Charge from parent company for use of plant.....	111,452	168,115
Amortization of deferred development.....	89,162	134,492
Interest on advances from parent company.....	62,576	46,997
	264,138	350,718
Loss before extraordinary item.....	287,363	416,576
Extraordinary item		
Write-off of deferred development costs (see note).....	996,288	
Loss for the Year.....	\$1,283,651	\$ 416,576

STATEMENT OF DEFICIT Year Ended December 31, 1971 (with comparative figures for 1970)

	1971	1970
Balance at beginning of year.....	\$ 890,936	\$ 474,360
Add		
Loss for the year.....	1,283,651	416,576
Balance at End of Year.....	\$2,174,587	\$ 890,936

WILMAR MINES LIMITED

STATEMENT OF APPLICATION OF FUNDS

Year Ended December 31, 1971
(with comparative figures for 1970)

	1971	1970
Application of Funds		
Loss before extraordinary item.....	\$ 287,363	\$ 416,576
Items not involving current funds		
Depreciation.....	(948)	(1,114)
Amortization of deferred development.....	(89,162)	(134,492)
Decrease in Working Capital Position.....	197,253	280,970
Working Capital Deficiency at Beginning of Year.....	692,245	411,275
Working Capital Deficiency at End of Year.....	\$ 889,498	\$ 692,245

NOTE TO FINANCIAL STATEMENTS

Year Ended December 31, 1971

Extraordinary item

During the year the company discontinued active mining operations. As a result \$996,288 of unamortized deferred development charges were written-off.

AUDITORS' REPORT

To the Shareholders of
WILMAR MINES LIMITED

We have examined the balance sheet of Wilmar Mines Limited as at December 31, 1971 and the statements of income, deficit and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thunder Bay, Canada
April 6, 1972

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

